



Q2 FY2022 Financial Results (Securities code 6560)

**8/2022
LTS, Inc.**

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Change to Accounting Standard for Revenue Recognition

Change to Classification of Consultant Job Transactions in Platform Business (Agent -> Principal)

The Group's Consultant Job service in its platform business is derived from Assign Navi, which matches IT human resources with IT projects, and its purpose is to refer personnel. For this reason, even when acting as an intermediary between the corporate customer and the personnel in response to a request from the corporate customer, **on the statement of income, we netted the sales order and purchase order amounts from the agreement and recorded the difference as a referral fee. However, the Group concluded separate operating agreements with the corporate customer and the personnel.**

The Accounting Standard for Revenue Recognition has been applied as of the 21st fiscal term (January 1, 2022 - December 31, 2022). In regard to the Consultant Job service, in accordance with the purpose of the service, **the sales order and purchase order amounts were netted to record sales in the first quarter of the 21st fiscal term (January 1, 2022 - March 31, 2022) assuming that the agreements would be changed to agent transactions.**

However, most services competing with Consultant Job have agreements based on principal transactions, so there are some corporate customers that wish to maintain the previous agreement type. As such, in the second quarter, progress on making specific changes to agreements with corporate customers was not made as expected. We have determined that even if we continue working on making changes to agreements, not all corporate customers will accept the changes. Accordingly, we have withdrawn the policy of changing the agreements to agent transactions based in part on consideration of future business relations. In conjunction with this, **we determined that gross net sales should be recorded for the Consultant Job service as principal transactions with emphasis placed on contractual rights and obligations. Net sales related to the Consultant Job service have been revised going back to when the Accounting Standard for Revenue Recognition was first applied.**

Net sales and cost of sales increase by the same amount when changing from agent transactions to principal transactions, so **there is no impact on profit and loss.**

Revision to Earnings Forecast for Fiscal Year Ending December 2022

The consolidated forecasts have been revised as shown below based on the changes described on the previous page.

Unit: Millions of yen	FY2022 Forecast Based on Old Standard* ¹		FY2022 Forecast Based on New Standard	Change	Pct change
Net sales	8,542		9,300	+ 758	+ 8.9%
EBITDA*	589		589	—	—
Operating profit	480		480	—	—
Ordinary profit	460		460	—	—
Profit attributable to owners of parent	297		297	—	—

* EBITDA = Operating profit + depreciation + amortization of goodwill

*1. Old standard: Figures prior to change of agent/principal transaction classification (refer to p. 3 for details)

Revision to Earnings Forecast for Fiscal Year Ending December 2022

Platform business net sales have been revised as follows:

Professional services business

Unit: Millions of yen	FY2022 Forecast Based on Old Standard*1	FY2022 Forecast Based on New Standard	Change	Pct change
Net sales	8,112	8,112	-	-
Operating profit	430	430	-	-

Platform business

Unit: Millions of yen	FY2022 Forecast Based on Old Standard*1	FY2022 Forecast Based on New Standard	Change	Pct change
Net sales	520	1,700	+ 1,180	+226.9%
Operating profit	50	50	-	-

* Net sales includes internal sales

*1. Old standard: Figures prior to change of agent/principal transaction classification (refer to p. 3 for details)

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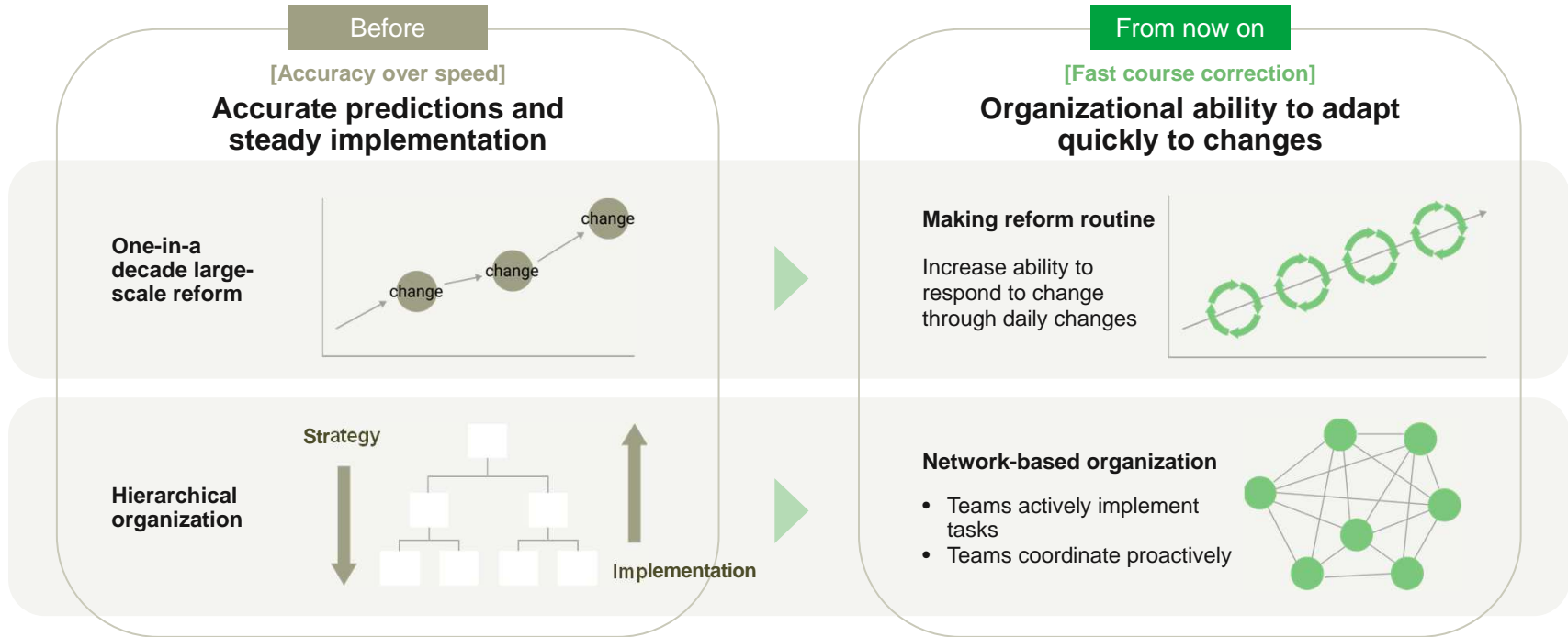
Services

	Service(s)	Mission	Synergy of services	Customers	Profit model
Professional services business	Strategy establishment / digital utilization	Improvement of corporate customer capabilities to utilize digital technology and adapt to change	<ul style="list-style-type: none"> Establishment of business strategy and business model Data analysis and utilization of AI 	Major corporations (and group companies)	Project-based contracts (high gross profit)
	Business process management		<ul style="list-style-type: none"> Development, management, and improvement of management/business foundation (business processes) Planning of reform projects 		Long-term support-based contracts for corporate customer reform/DX
	Consulting /engineering	DX project implementation/ maximization of value	<ul style="list-style-type: none"> Comprehensive DX project support Development/operation of corporate customer DX platform Training of reform/DX human resources 		SMEs/communities/public services
Platform business	Consultant Job		<ul style="list-style-type: none"> Support for activities of independent consultants 	IT service industry/c companies	Membership dues + service fee-based
	Assign Navi	<ul style="list-style-type: none"> Matching of projects, professionals, and IT companies 			
	CS Clip	<ul style="list-style-type: none"> Matching of operating companies and DX companies Growth support for DX companies 			

Making Reform Routine

(Background behind Favorable Performance of Professional Services)

In these times, companies work on various reform, whether large, medium, or small, on a daily basis, and it is necessary not only to promote individual projects but to acquire the ability to respond to change

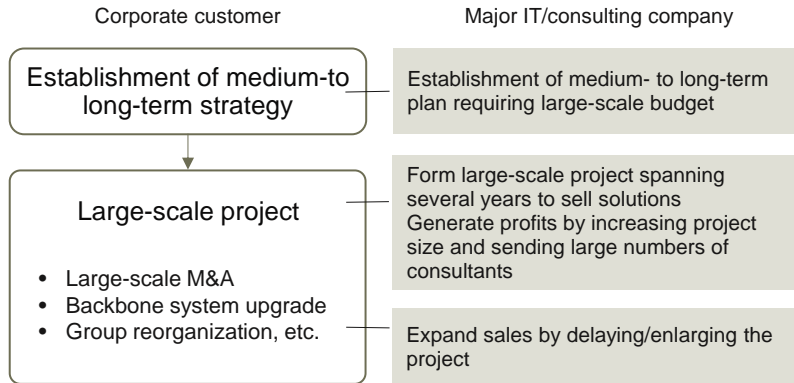


Characteristic 1 of Professional Services Business

LTS supports the promotion of individual projects and the acquisition of the ability to respond to change

Conventional consulting/IT services

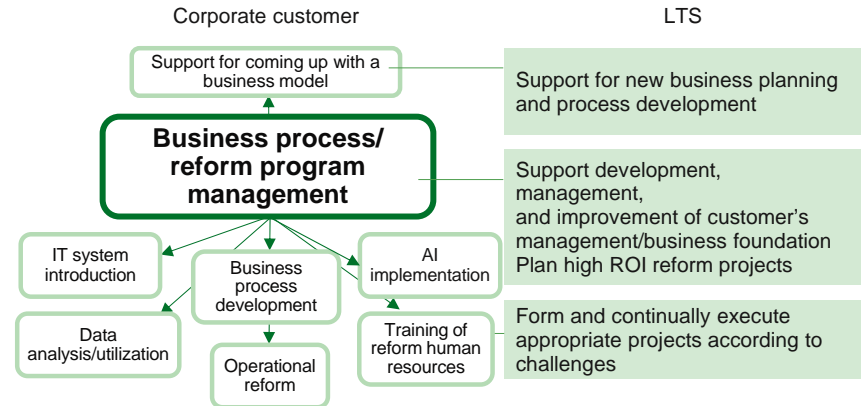
Growth support does not equal support for success of large-scale projects



- Large scale of measures makes them easily affected by sudden environmental changes, delaying response
- Withdraws at the end of the project and looks for a new customer with a large project
- Solves customer challenges that conform to its own solutions

LTS professional services

Growth support equals acquiring the ability to respond to change and support for promoting high ROI project planning

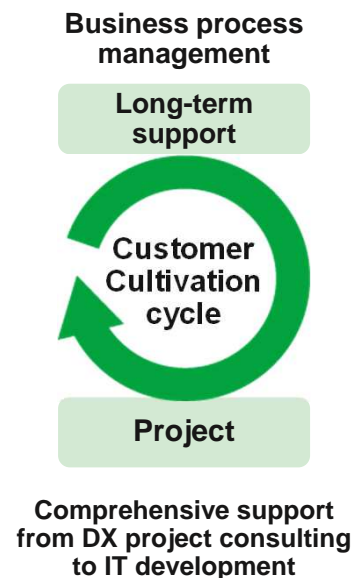


- Can quickly respond to environmental changes with reform planning
- Medium- to long-term relationship with a customer that does not end with individual projects
- Launch various projects according to customer challenges and respond with a system that includes platform service members (freelancers and IT/DX companies)

Characteristic 2 of Professional Services Business

Receives a large number of inquiries from new customers by promoting a customer cultivation model and quickly producing a track record of support for advanced topics

Business model



Uniqueness/strengths

Visualization of business process (operational and management issues)

Building of long-term customer relationships and continuous cycle of reform

Grasping of reform cycle (Issue selection, budgeting, etc.)

Seizing opportunities for progressive projects and acquiring ability to attract new customers

Major customers (of 10 years or more)

- ITOCHU Corporation
- ORIX Corporation
- Kirin Holdings Company, Limited
- Yazaki Corporation
- DIC Corporation
- Nissan Motor Co, Ltd.

Major themes

- Comprehensive DX support
- Automation of shelving allocation utilizing AI
- DX/SX for municipalities

New customers (2019-2021)

- Hiroshima Prefecture, Shizuoka Prefecture, Shizuoka City, Ichikawa City (Chiba Prefecture)
- NEC Corporation
- Osaka Metro Co., Ltd.
- Suzuyo System Technology Co., Ltd.
- SEVEN-ELEVEN JAPAN CO., LTD.

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Q2 FY2022 Summary

LTS Group overall

Net sales:	¥4,648 million
	Old standard*1: ¥4,210 million (up 21.2% YoY)
Operating profit:	¥351 million (up 28.2% YoY)
Ordinary profit:	¥348 million (up 34.6% YoY)
⇒ Record high net sales, operating profit, and ordinary profit	

Professional services business

Net sales:	¥4,078 million (up 21.4% YoY)
Operating profit:	¥318 million (up 27.6% YoY)
⇒ Revenues and earnings up with seasonal factors in Q2 (such as acceptance of new employees)	

Platform business

Net sales:	¥786 million
	Old standard*1: ¥205 million (up 42.0% YoY)
Operating profit:	¥32 million (up 34.7% YoY)
⇒ Revenues and earnings up with aggressive investment in structural enhancement, service development, etc.	

* Net sales includes internal sales

*1. Old standard: Figures prior to change of agent/principal transaction classification (refer to p. 3 for details)

Q2 FY2022 Consolidated Profit and Loss Statement

* Figures in parenthesis are prior to change of agent/principal transaction classification (refer to p. 3 for details)

Unit: Millions of yen

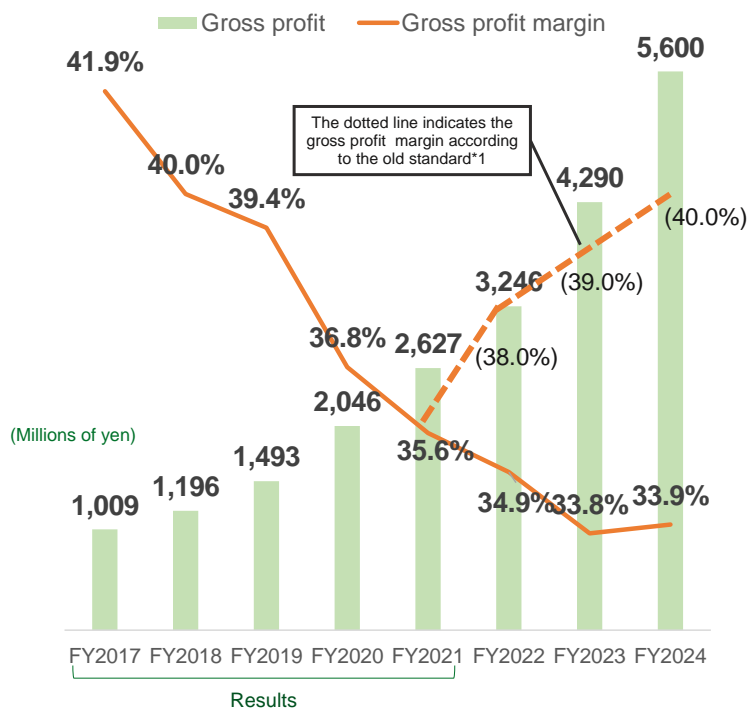
	Q2 FY2022	Q2 FY2021	YoY % change	FY2022 Total for first six months	FY2021 Total for first six months	YoY % change	FY2022 forecast	Percentage achievement
Net sales	2,263 (2,056)	1,732	— (+ 18.7%)	4,648 (4,210)	3,474	— (+ 21.2%)	9,300 (8,542)	50.0% (49.3%)
Gross profit	759	609	+ 24.6%	1,578	1,225	+ 28.8%	—	—
Gross profit margin	33.5% (36.9%)	35.2%	— (+ 1.7point)	34.0% (37.5%)	35.3%	— (+ 2.2point)	—	—
SG&A	672	507	+ 32.7%	1,227	951	+ 29.0%	—	—
EBITDA*	106	119	- 11.3%	390	308	+ 26.5%	589	66.2%
EBITDA margin	4.7% (5.2%)	6.9%	— (- 1.7point)	8.4% (9.3%)	8.9%	— (+ 0.4point)	—	—
Operating profit	86	102	- 15.4%	351	274	+ 28.2%	480	73.2%
Operating margin	3.8% (4.2%)	5.9%	— (- 1.7point)	7.6% (8.3%)	7.9%	— (+ 0.4point)	—	—
Ordinary profit	86	80	+ 7.6%	348	258	+ 34.6%	460	75.8%
Profit before income taxes	86	80	+ 7.6%	348	258	+ 34.6%	—	—
Profit attributable to owners of parent	59	45	+30.0%	239	166	+ 43.7%	297	80.8%

* EBITDA = Operating profit + depreciation + amortization of goodwill

Gross profit

Q2 gross profit (and gross profit margin) trending favorably compared to forecast

Gross profit results / forecast



Q2 FY2022 results

* Figures in parenthesis are prior to change of agent/principal transaction classification (refer to p. 3 for details)

Unit: Millions of yen	FY2022 forecast	Q2 cumulative results
Net sales	9,300 (8,542)	4,648 (4,210)
Gross profit	3,246	1,578
Gross profit margin	34.9% (38.0%)	34.0% (37.5%)
SG&A	2,766	1,227
SG&A ratio	29.7% (32.4%)	26.4% (29.2%)
Operating profit	480	351
Operating margin	5.2% (5.6%)	7.6% (8.3%)

*1. Old standard: Figures prior to change of agent/principal transaction classification (refer to p. 3 for details)

Breakdown of SG&A

Out of SG&A, hiring/training and advertising will be actively utilized starting in Q3

Breakdown of SG&A

* Figures in parenthesis are prior to change of agent/principal transaction classification (refer to p. 3 for details)

Unit: Millions of yen	FY2022		Q2 FY2022 cumulative	
	Forecast	vs. Net sales	Results	vs. Net sales
Consolidated net sales	9,300 (8,542)	-	4,648 (4,210)	-
SG&A	2,766	29.7% (32.4%)	1,227	26.4% (29.2%)
Personnel expenses	1,541	16.6% (18.0%)	841	18.1% (20.0%)
Hiring/training expenses	368	4.0% (4.3%)	83	1.8% (2.0%)
Advertising expenses	183	2.0% (2.1%)	40	0.9% (1.0%)
Land/office rent	85	0.9% (1.0%)	28	0.6% (0.7%)
IT/operations platform development	117	1.3% (1.4%)	59	1.3% (1.4%)
Remuneration paid	207	2.2% (2.4%)	54	1.2% (1.3%)
Amortization of goodwill	40	0.4% (0.5%)	20	0.4% (0.5%)
Depreciation	48	0.5% (0.6%)	8	0.2% (0.2%)
Outsourcing expenses	81	0.8% (0.9%)	38	0.8% (0.9%)
Other	92	1.0% (1.1%)	52	1.1% (1.2%)

Hiring/training expenses

Implementing or will implement efforts below

- Hiring events for new graduates
- Expansion of structure for mid-career hiring members
- Increase in hiring fee

Advertising expenses

Will implement efforts below in H2

- Platform business promotions
- 20th anniversary events
- Hiring PR/brand enhancement

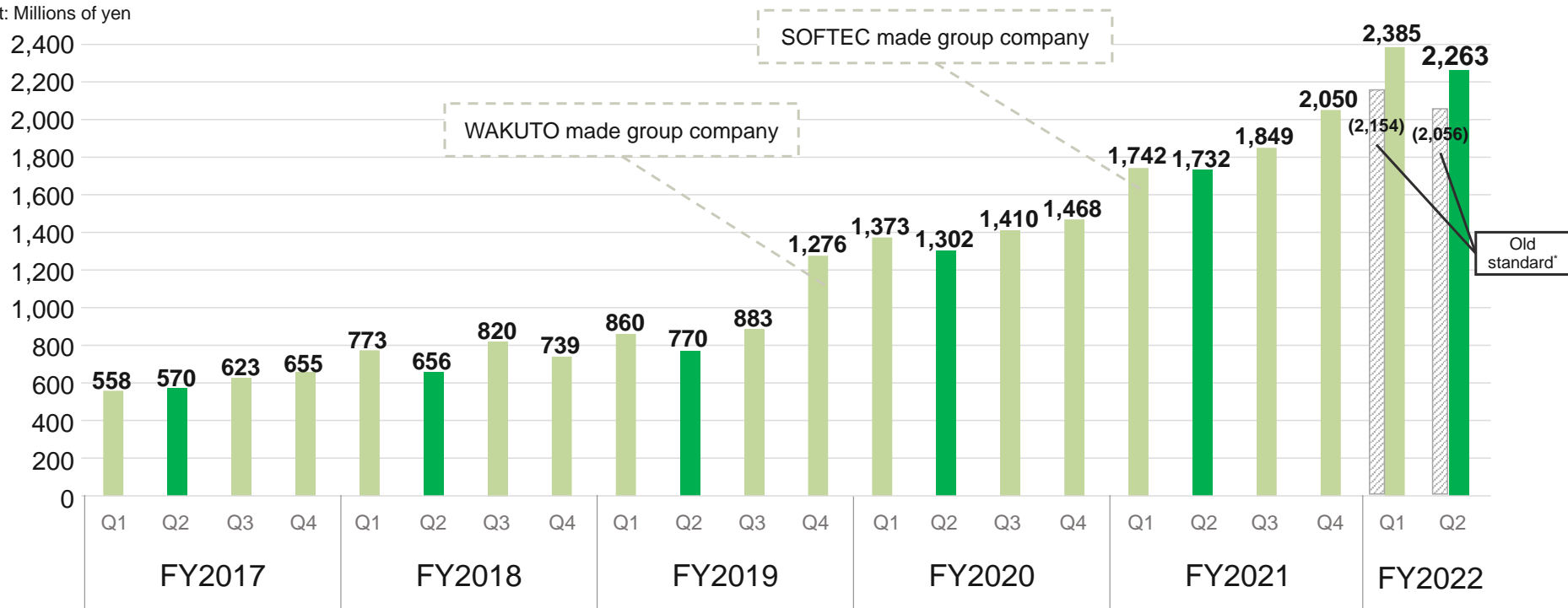
Q2 FY2022 Consolidated Balance Sheet

Unit: Millions of yen	FY2021	Q2 FY2022	Change
Current assets	4,206	3,380	- 825
(Cash and deposits)	2,430	1,983	- 447
Non-current assets	873	821	- 52
Total assets	5,080	4,201	- 878
Current liabilities	2,215	1,525	- 689
(Income taxes payable)	117	74	- 42
Non-current liabilities	787	648	- 139
Net assets	2,076	2,027	- 48

Quarterly Trend in Consolidated Net Sales

+¥531 million (Old standard*: +¥324 million, +18.7%)

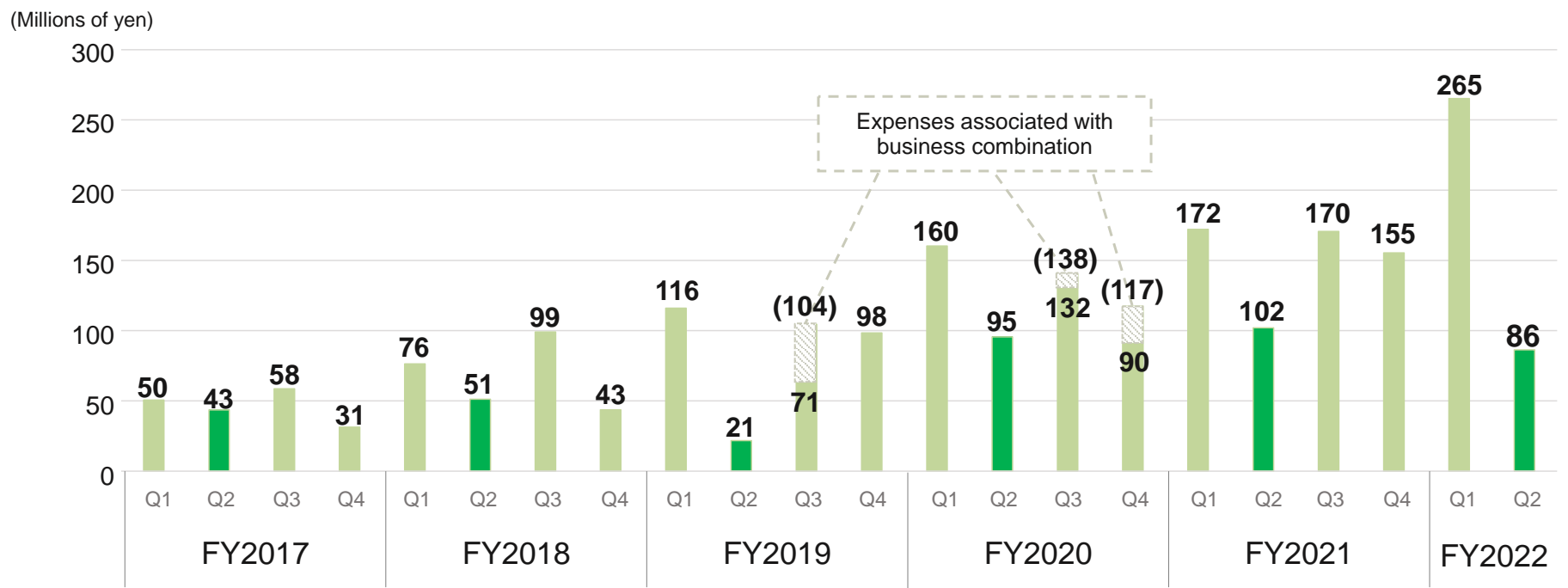
Unit: Millions of yen



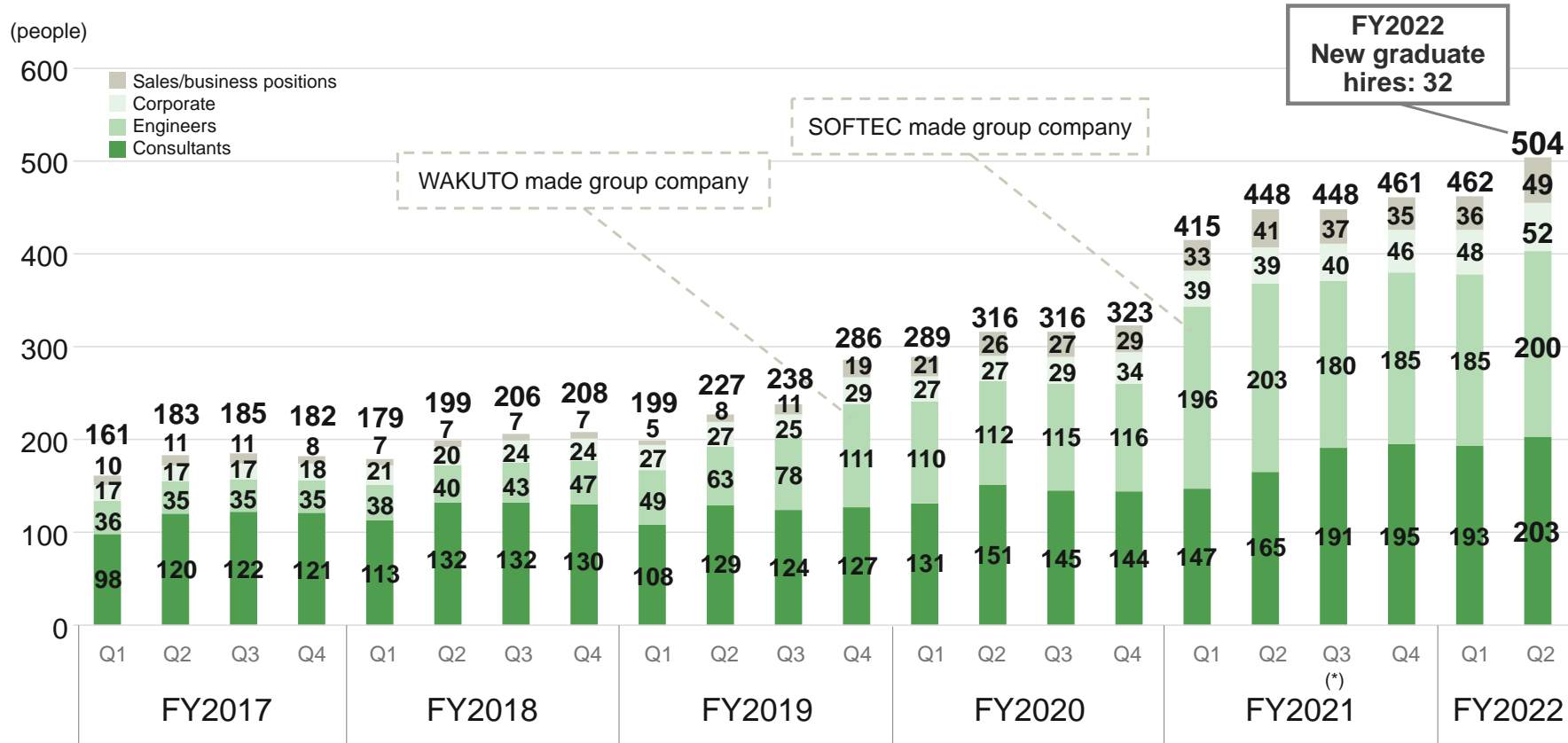
* Old standard: Figures prior to change of agent/principal transaction classification (refer to p. 3 for details)

Quarterly Trend in Consolidated Operating Profit

-15.4% YoY



Quarterly Trend in Number of Employees (Consolidated)



*Changes were made to the tabulation method for employee numbers by job type from Q3 2021.

Progress on hiring consultants / engineers

In Q2, 37 consultants and engineers were hired.

Steady progress has been made on new graduate hires for FY2023, with 79 informal agreements signed (including sales positions).

Consultants / engineers
Plan for number at year-end (consolidated)

(People)	FY2020	FY2021	FY2022	FY2023	FY2024
	<u>results</u>	<u>results</u>	<u>plan</u>	<u>plan</u>	<u>plan</u>
Number of consultants	168	195	230	290	370
Number of engineers	93	185	220	275	350
Total	261	380	450	565	720
Vs. previous year	-	+17.6%	+18.4%	+25.6%	+27.4%

Consultants / engineers
Hiring plan (consolidated)

	FY2021	FY2022	FY2023	FY2024
	<u>results</u>	<u>plan</u>	<u>plan</u>	<u>plan</u>
Number of consultants	39	50	75	100
Number of engineers	26	50	75	100
Total	65	100	150	200

Comparison is based on number (307 in 2021) prior to SOFTEC (73 engineers) joining the Group in 2021

Number
1.9x
(2021-2024)

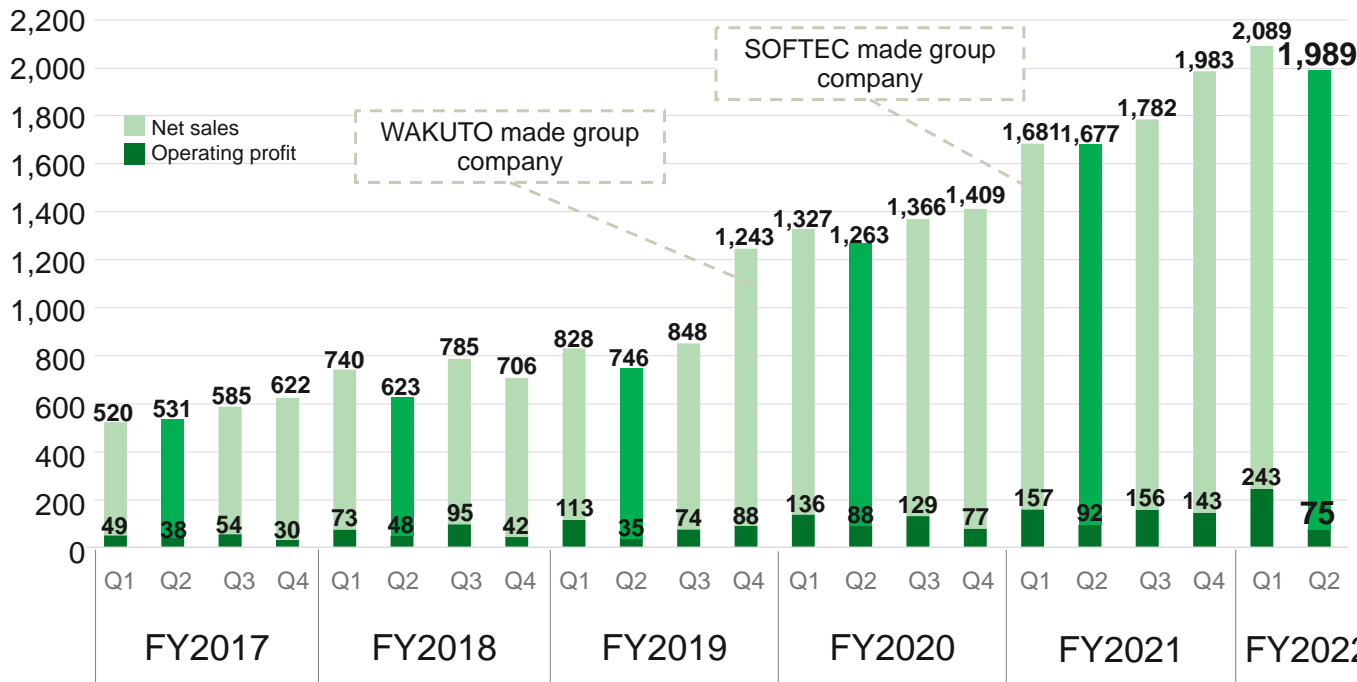
Hiring results	Q1 FY2022	Q2 FY2022
Consultants	4	New graduates: 13 Mid-career: 6
Engineers	4	New graduates: 12 Mid-career: 6

Number of consultants / engineers hired in Q3: 11 (including tentative hires)
New graduate hires expected in FY2023: 79 (including sales positions)

Quarterly Trend in Professional Services Business Results

Net sales +18.6% YoY, operating profit -18.4% YoY

Unit: Millions of yen



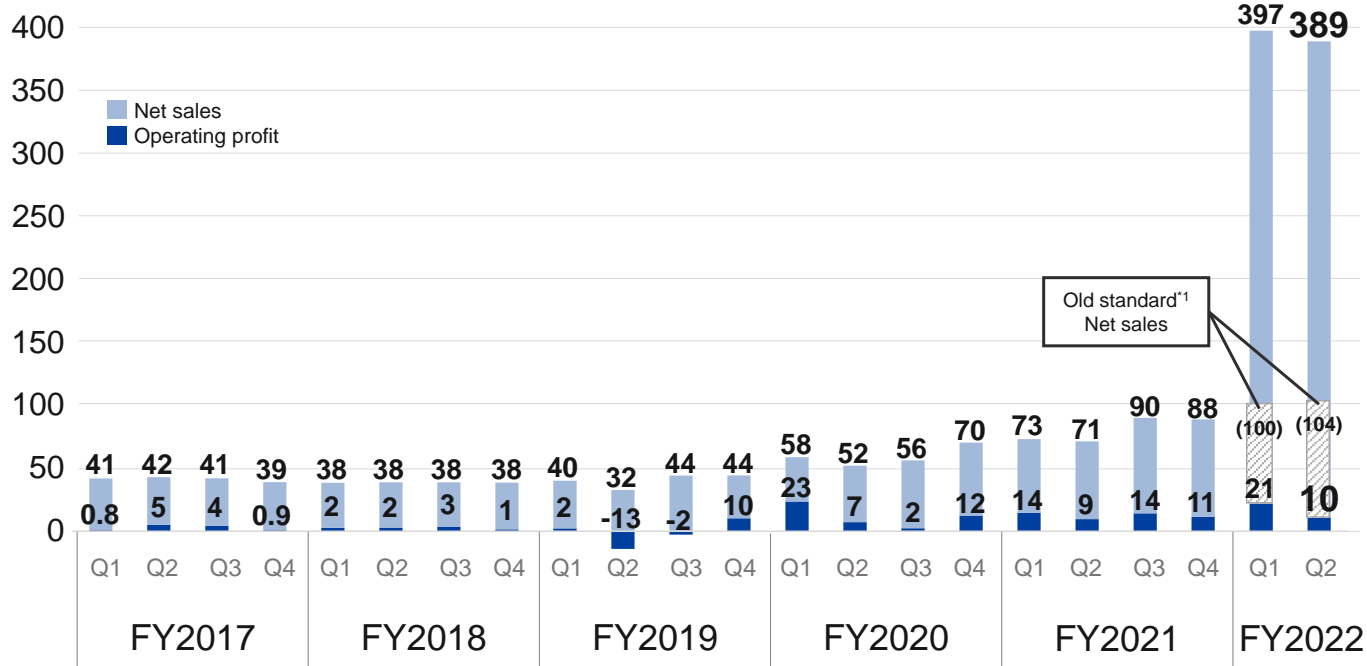
- Sales continue to grow in response to increased demand for large-scale operational reform promotion projects
- Unit prices improving through increase in high value-added projects based on DX
- Subsidiary profitability improving through development projects carried out in collaboration with LTS

* Net sales includes internal sales

Quarterly Trend in Platform Business Results

Operating profit +13.9% YoY

Unit: Millions of yen



- **Number of Assign Navi members increasing**
 - 4,637 corporate members
 - 7,311 individual members
- **Continued aggressive Investment**
 - Structural enhancement at Consultant Job
 - Assign Navi marketing activities
 - Investment in development of CS Clip

Old standard*1
Net sales

* Net sales includes internal sales

*1. Old standard: Figures prior to change of agent/principal transaction classification (refer to p. 3 for details)

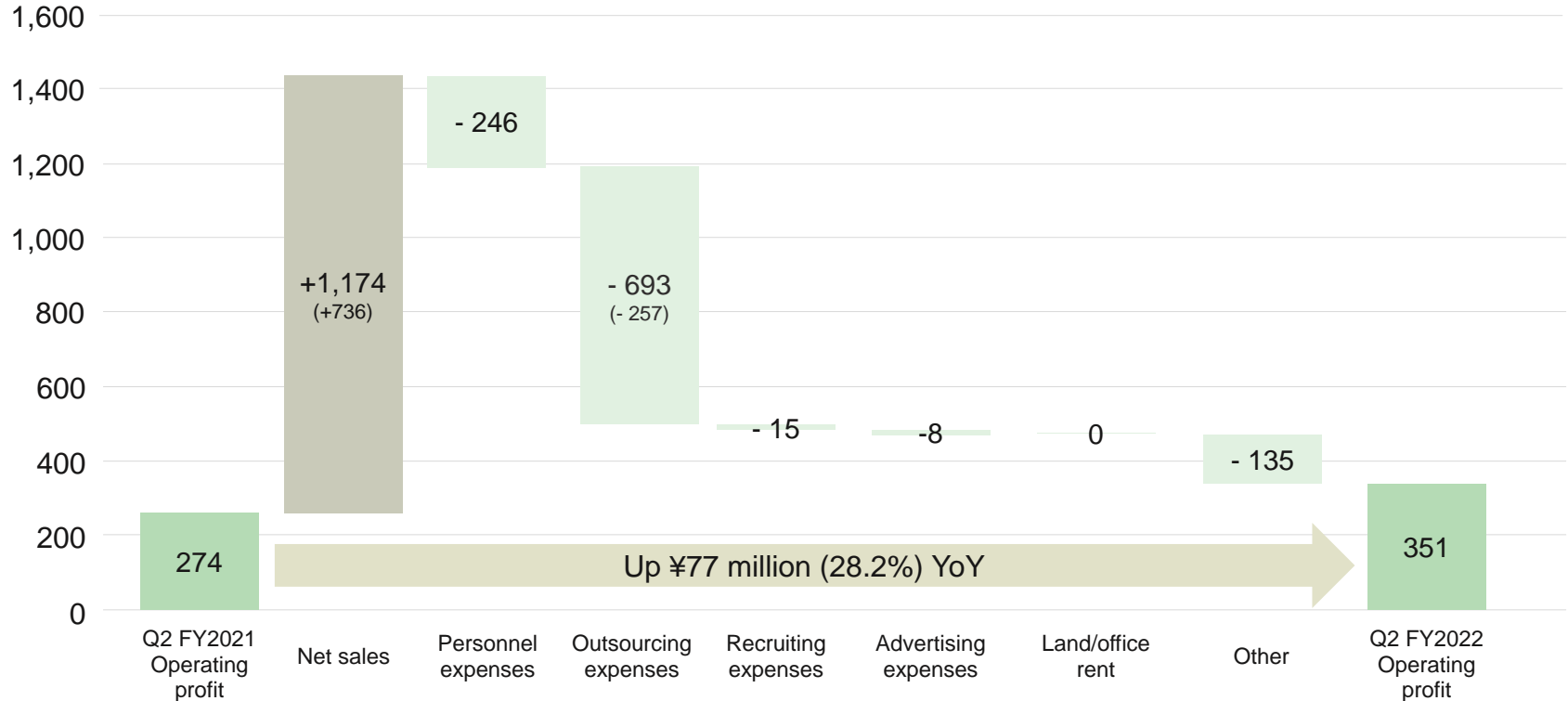
Non-Consolidated/Group Company Sales

(Millions of yen)	Non-consolidated sales	Group company sales <small>*Excluding new sales from M&A during the period</small>	New sales from M&A during the period	Elimination of intra-company transactions
Q2 FY2021 results	2,250	929	373	- 78
	3,474		+798 YoY	
Q2 FY2022 results	3,051 (2,820) + 800 YoY (+ 569 YoY)	1,964 (1,569) + 1,034 YoY (+ 640 YoY)	— - 373 YoY	- 366 (- 180) - 288 YoY (- 101 YoY)
	4,648 (4,210)		+1,173 YoY (+735 YoY)	

* Figures in parenthesis are prior to change of agent/principal transaction classification (refer to p. 3 for details)

Factors Behind Change in Consolidated Operating Profit in Q2 FY2022

Unit: Millions of yen



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Vision

Best Partner for the Digital Era

Our society continues to change rapidly with advances in digital technology.

Our customers are all companies looking to address such rapid changes in the social structure.

In the coming era, taking the lead in bringing about change rather than simply adapting to changes in the social structure will be the key to survival.

Shifting to an organizational structure that is better equipped to respond to change and producing human resources that create change by fully leveraging digital technology is essential for surviving and thriving in this era.

Providing support to help customers improve their ability to implement change, we aim to be the best partner for companies that continue to change themselves and take the lead in social changes.

Human resources

Consultant unit prices are on the rise. Also working on sharing knowledge across the Group

Enhancement of hiring

- ✓ Aim for net increase of 100 people annually across Group
- ✓ Continue to promote hiring activities separate from M&A

Number of employees

Enhancement of education

- ✓ Enhance educational measures with Group education system and production site initiative
- ✓ Active human resources exchange (including temporary transfers) within Group
- ✓ Enhance opportunities for consultant and engineer career change

Individual skills

Coordination of knowledge

- ✓ Establish special organization for coordinating knowledge within Group
- ✓ Reorganize knowledge, redesign education system, and enhance structure

Organizational ability

Q2 FY2022 Results

- Professionals from each service domain held regular gatherings to provide lectures to Group employees and answer questions (Also used as a forum for training young employees, promoting mutual understanding of services between Group companies, human resources exchange, and coordination of services)
- Establishment of knowledge management system: Put together menu of professional services and published knowledge site.
- Carried out training for accepting new graduates. Also organized and published training content for improving the skills and engagement of current employees.

Brand communication measures

Enhance activities for improving brand recognition beyond the consulting and IT markets

- Steadily expanding communication and media outreach since April

Keizaikai August 2022 issue
(Published on June 22, 2022)

<https://net.keizaikai.co.jp/65318>



Made broad appeal to market via interview of Company Representative Kabashima

Kigyo to Jinzai July 2022 issue

https://www.e-sanro.net/magazine_jinji/kigyotojinzai/e202207.html



Human resources development leader introduced the autonomous and progressive development of systems, education, and services at LTS

DIAMOND Harvard Business Review
August 2022 issue

<https://dhbr.diamond.jp/articles/-/8675>



Message to management for surviving an era of decentralization

Customers

Strengthened relationship with advanced DX companies. Promoted cooperation and tie-ups for each service.
Developed services through industry-academia collaboration and provided programs to municipalities

Strengthening of relationships with progressive companies

- ✓ Further strengthen relationships with progressive companies with strong intent to change through the provision of LTS Group services

Expansion of area

- ✓ Strengthen system in West Japan area
- ✓ Engage in full-scale service provision in Asia and globally (coordination with FPT)

Promotion of industry-academia collaboration and services for municipalities and SMEs

- ✓ Further promotion of industry-academia collaboration involving customers and research institutes
- ✓ Further promotion of services for municipalities and SMEs

Service development

Customer base

Customer base

Service development

Brand improvement

Q2 FY2022 Results

- Launched operations at Innovation Hub Hiroshima Camps, a hub for creating new businesses in Hiroshima
- Participated in talk on why companies with headquarters in Tokyo started doing business in Hiroshima
- Passed the first screening by the New Energy and Industrial Technology Development Organization (NEDO) for the development and demonstration of a situational awareness system using satellites (major cosmetics company, major appliance company, etc.)

Published consulting case studies

Published case study on transformation of Ishihara Sangyo Kaisha, Ltd. through several years of consulting

Company-wide business reform project for upgrading backbone system (ERP)
Published interview on training of next-generation leaders, operational reform,
and cross-organizational activities

Available via LTS owned media ([CLOVER Light](#))

ISK 石原産業株式会社 業務改革プロジェクト事例

**変革活動を通して変化に強い組織能力を獲得し
次世代リーダーを育てる**



上田 修治 様 石原産業

浅野 俊介 様 石原産業

エル・テイ・エス 島野 陽介

ISK 石原産業株式会社 業務改革プロジェクト事例

**ミドルリーダーが創り出した
組織の変化と横断活動**



エル・テイ・エス 熊坂 真穂

石原産業 山本 真生 様

長谷川 裕樹 様 山元 啓晃 様 春日部 真人 様

Group management

Increased number of cross-Group project deliveries to improve corporate value

Creation of synergy

- ✓ Optimize sales personnel, improve unit prices, and expand support topics by cultivating customers and acquiring projects utilizing Group assets
- ✓ Increase project delivery across the Group and further promote the provision of value as an all-around team

Increasing value

Streamlining

Enhancement of corporate functions

- ✓ Balance improving functions with optimizing costs by communizing the management functions of group companies
- ✓ Establish new work styles and improve productivity by strengthening the Group's IT infrastructure and relocating offices

Increasing value

Streamlining

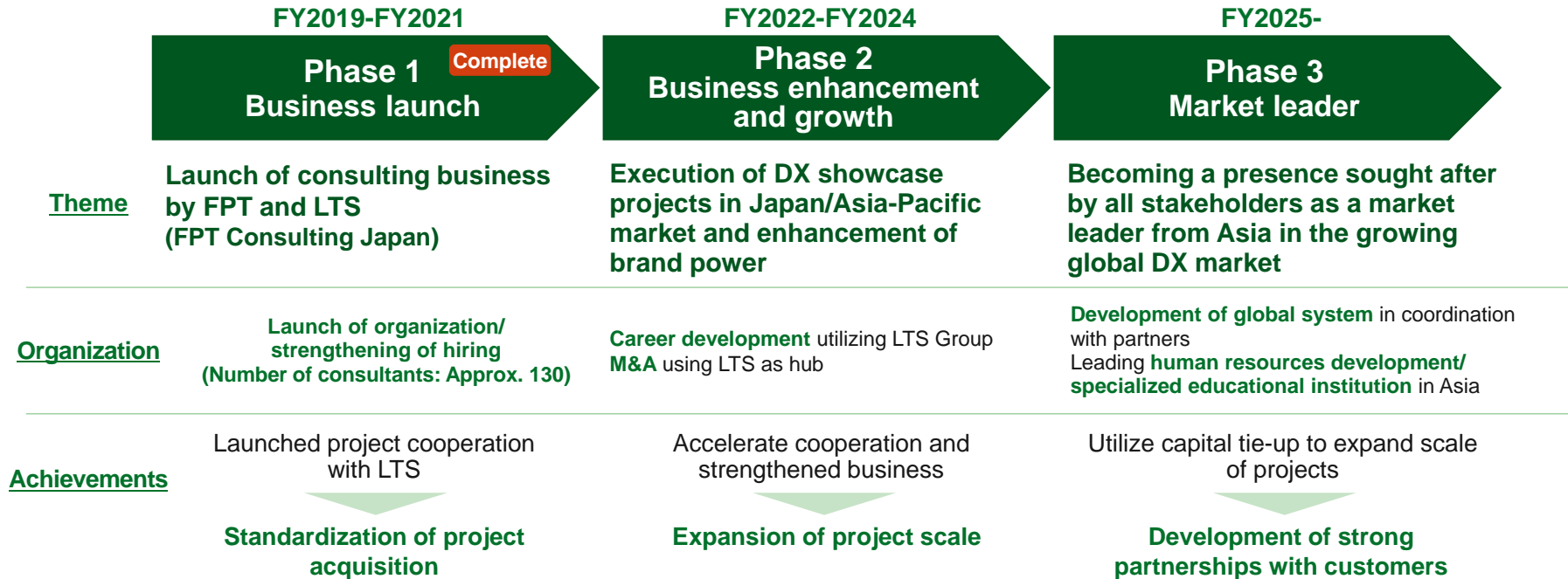
Q2 FY2022 Results

- Expanded mutual participation in projects by LTS and subsidiaries
- Also worked on enhancing executive management functions of Group companies and coordinating corporate functions

Current situation at FPT Consulting Japan Co., Ltd.

Established as joint venture with FPT Japan Holdings Co., Ltd. in 2019

Going forward, FPT Japan Holdings, FPT Consulting Japan, and LTS will promote the initiatives below.

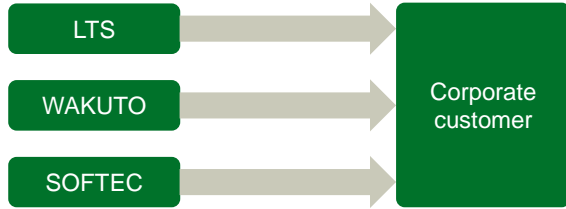


Group management (M&A)

The policy for M&A is to promote it as part of recruiting and team-building efforts

Providing comprehensive proposals as LTS Group, we plan to further boost the profitability of each group company by 2023

Individual project proposal and delivery



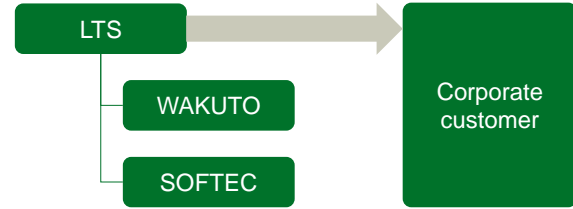
Engineering services tend to face price competition as they entail participation starting from downstream processes with fixed requirement

Sales and back-office functions must be developed and implemented by individual companies

Sales

Cost

Project proposal and delivery as LTS Group



Engineering service subsidiaries can propose appropriate services at appropriate prices while LTS accurately identifies entry requirements starting from upstream processes

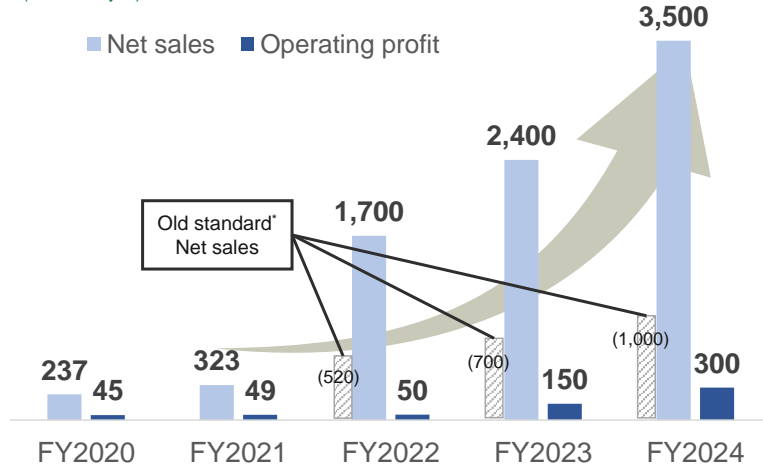
Cross-selling and sharing of back-office functions possible

Platforms

Maintain the investment level until 2022 and move to a profit-increasing phase in 2023

Investment and development of current services and growth of profits

(Millions of yen)



Contribution to Group as a whole

- ✓ Provision of independent consultants to Professional Services
- ✓ Provision of information on excellent IT/DX companies to Professional Services
- ✓ Reference for companies considering M&A using member base and various data

*Old standard: Figures prior to change of agent/principal transaction classification (refer to p. 3 for details)

Policy of Medium-Term Business Plan

Mode change for rapid growth

Through our activities over the four years since listing, we are confident that we can further grow the business.

Starting this year (2022), we will review the steady growth scenario to date and implement a “**mode change**” for rapid growth.

Based on the thinking that expanding personnel and individual growth are the driving factors for achieving the numerical targets of the Medium-Term Business Plan, we will carry out more aggressive activities to build these up, thereby achieving the Medium-Term Business Plan and accelerating growth in 2025 and beyond.

Numerical targets

Compound average growth rate of net sales

Exceeding 30% in 2023 and beyond

Operating margin

12% by 2024 (around 15% by old standard)

(Millions of yen)	FY2020		FY2021		FY2022	FY2023	FY2024	
	Results	Forecast	Results	Forecast	Forecast	Plan	Plan	Vs. FY2020
Consolidated net sales	5,500	7,000	7,300		9,300 (8,500)	12,700 (11,000)	16,500 (14,000)	– (2.5x)
Consolidated operating profit	470	580	600		480	1,200	2,000	4.3x
Consolidated operating margin	8.6%	8.2%	8.1%		5.2% (5.6%)	9.4% (10.9%)	12.1% (14.3%)	– (+5.7point)

* Figures in parenthesis are prior to change of agent/principal transaction classification (refer to p. 3 for details)

Policy in each fiscal year

FY2022

Promoting efforts below as first year of rapid growth

- **Active hiring of consultants and engineers** *Recruiting expenses: up ¥257 million vs FY2021
⇒Growth of professional services
- **Enhancement of advertising activities and holding of 20th anniversary events** *Advertising expenses: up ¥147 million vs FY2021
⇒Growth of platform business and enhancement of branding and hiring capabilities
- **Relocation of office and IT-related investment**
⇒Expansion of business and organizational foundation for continued growth

The forecast for FY2022 is **for increased revenues but decreased earnings** as we implement various efforts in accordance with the growth scenario

FY2023-FY2024

We will continue efforts for ramping up hiring and individual growth and accelerate growth by taking the **consolidated net sales CAGR to around 30% starting in 2023**

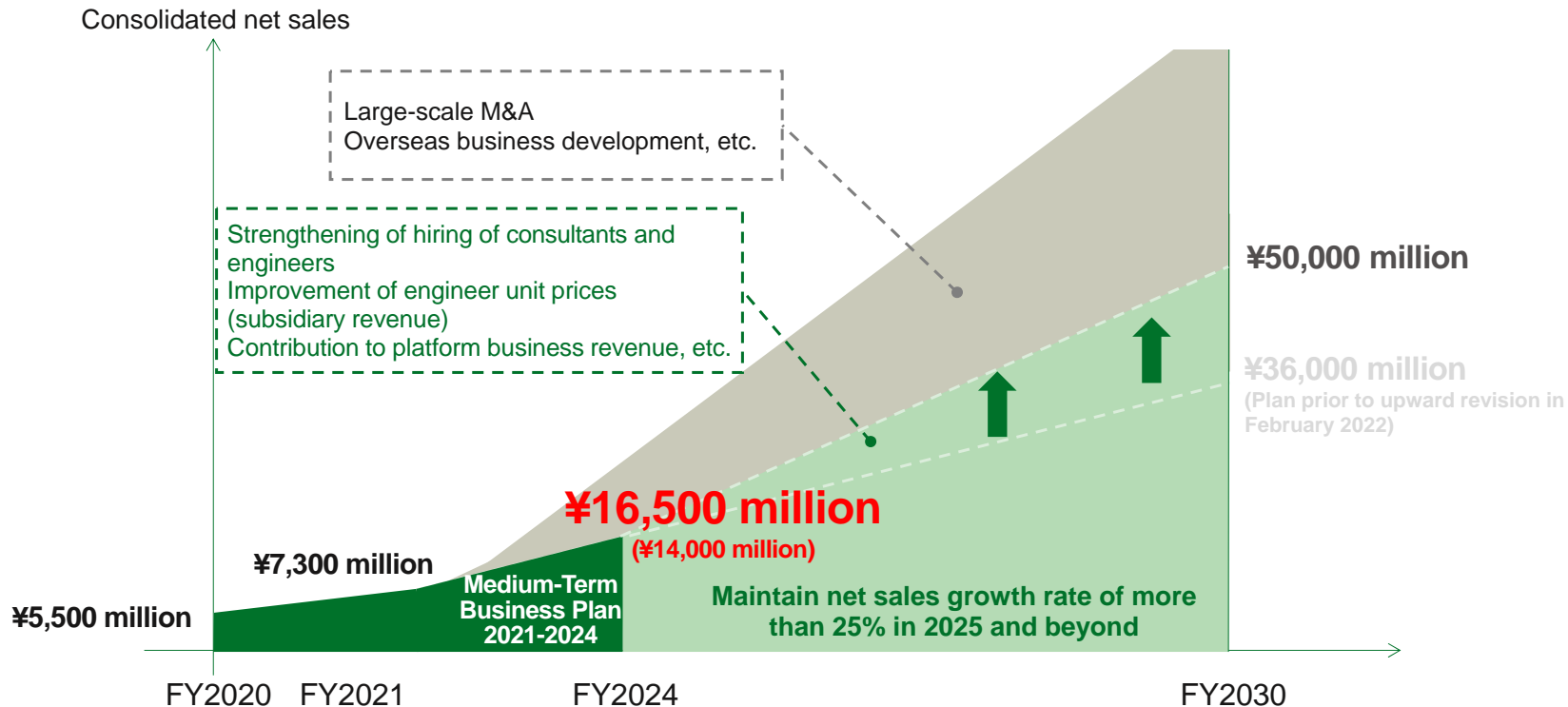
SG&A ratio will be lower than in 2022 due to the reduction of spot costs and measures to increase efficiency

* Figures in parenthesis are prior to change of agent/principal transaction classification (refer to p. 3 for details)

(Millions of yen)	FY2021 results	YoY	FY2022 forecast	YoY	FY2023 plan	YoY	FY2024 plan	YoY
Net sales	7,375	+ 32.7%	9,300 (8,542)	— (+ 15.8%)	12,700 (11,000)	+ 36.6% (+ 28.8%)	16,500 (14,000)	+ 29.9% (+ 27.3%)
Gross profit	2,627	+ 28.4%	3,246	+ 23.6%	4,290	+ 32.1%	5,600	+ 30.5%
Gross profit margin	35.6%	- 1.2point	34.9% (38.0%)	— (+ 2.4point)	33.8% (39.0%)	- 1.1 point (+ 1.0point)	33.9% (40.0%)	+ 0.1point (+ 1.0point)
SG&A	2,026	+ 29.3%	2,766	+ 36.5%	3,090	+ 11.7%	3,600	+ 16.5%
SG&A ratio	27.5%	- 0.7point	29.7% (32.4%)	— (+ 4.9point)	24.3% (28.1%)	- 5.4point (- 4.3point)	21.8% (25.7%)	- 2.5point (- 2.4point)
Operating profit	600	+ 25.4%	480	- 20.0%	1,200	+ 150.0%	2,000	+ 66.7%
Operating margin	8.1%	- 0.5point	5.2% (5.6%)	— (- 2.5point)	9.4% (10.9%)	+ 4.2point (+ 5.3point)	12.1% (14.3%)	+ 2.7point (+ 3.4point)

Aiming for further growth in 2025 and beyond

We aim to continue growing net sales at a rate of more than 25% in 2025 and later to reach ¥50,000 million in 2030



* Figures in parenthesis are prior to change of agent/principal transaction classification (refer to p. 3 for details)

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- 2. Business Overview**
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Forecast for FY2022

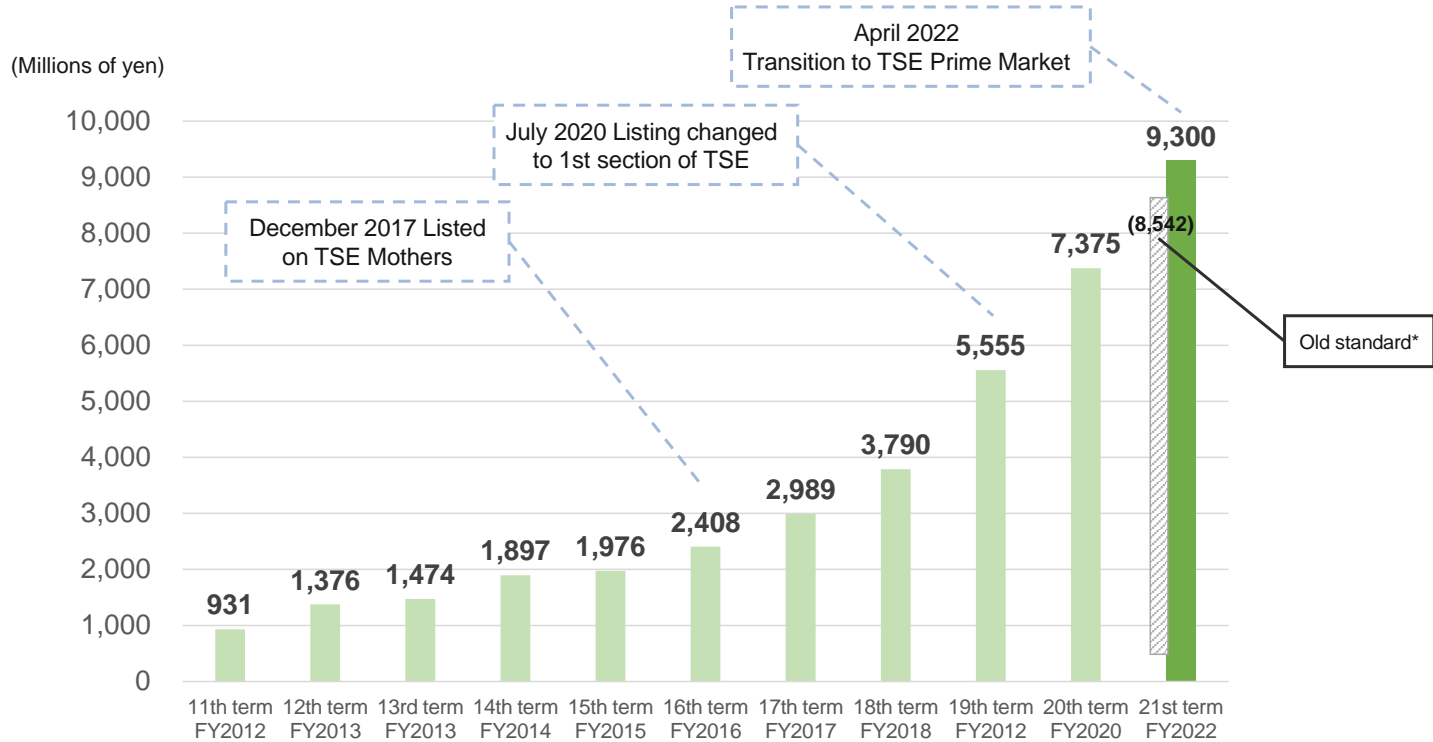
(Millions of yen)	FY2021 Results	FY2022 Forecast	YoY change	YoY % change
Net sales	7,375	9,300 (8,542)	+ 1,924 (+ 1,167)	— (+ 15.8%)
EBITDA *	674	589	- 85	- 12.6%
Operating profit	600	480	- 120	- 20.0%
Ordinary profit	579	460	- 119	- 20.7%
Profit attributable to owners of parent	388	297	- 90	- 23.4%

* Figures in parenthesis are prior to change of agent/principal transaction classification (refer to p. 3 for details)

* EBITDA = Operating profit +depreciation +amortization of goodwill

FY2022 Consolidated Net Sales Forecast

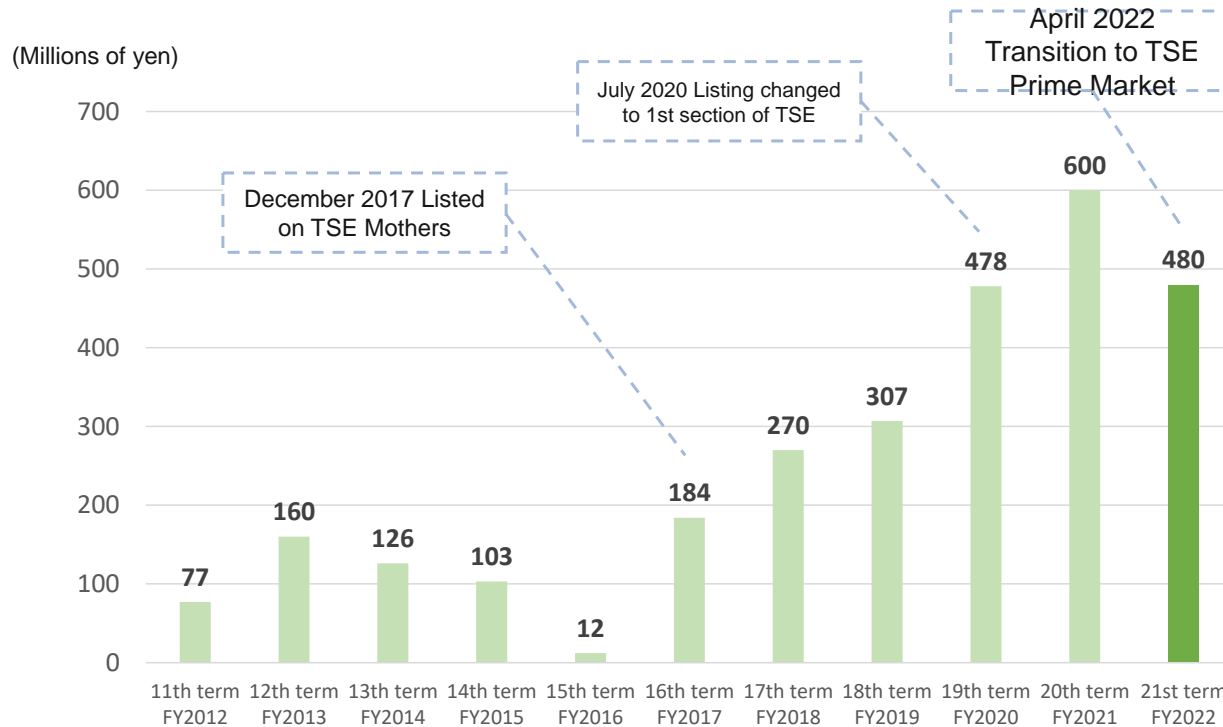
Expect to see higher revenue for 11th consecutive year



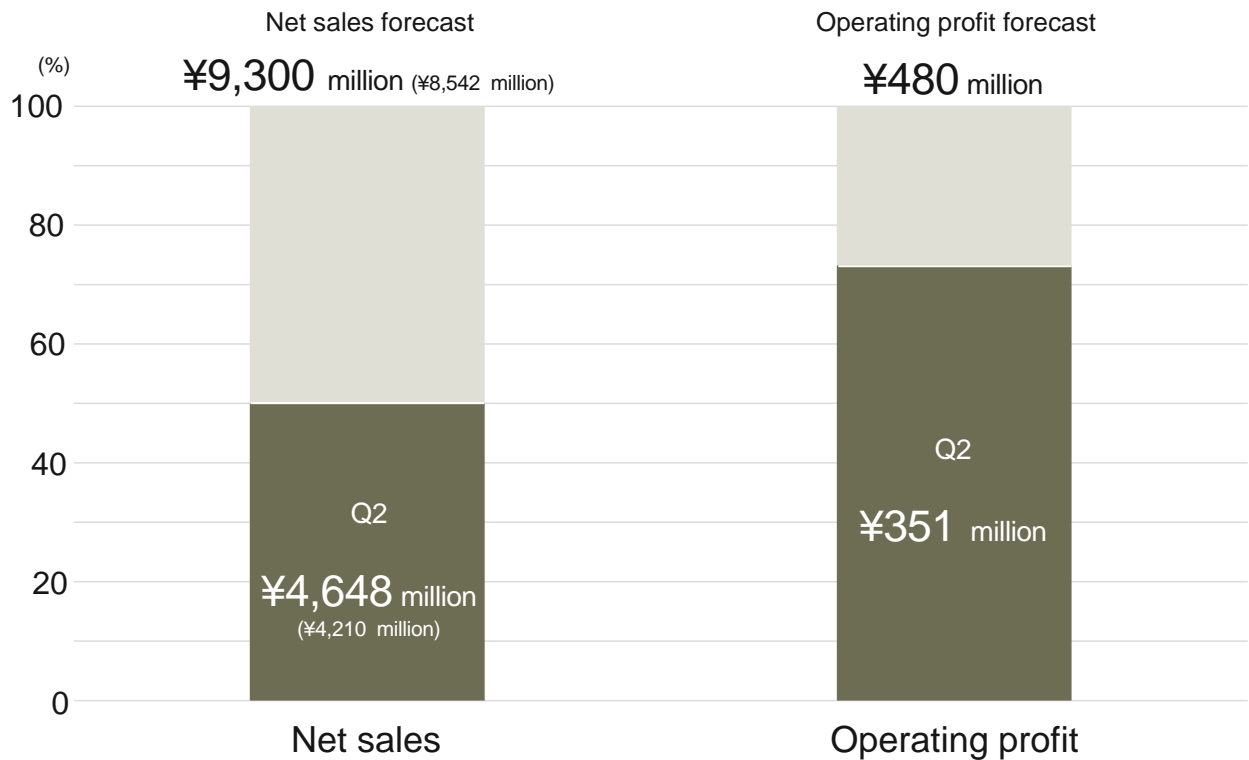
* Old standard: Figures prior to change of agent/principal transaction classification (refer to p. 3 for details)

FY2022 Consolidated Operating Profit Forecast

Plan for FYE December 2022 is for lower profit



FY2022 Consolidated Forecast: Full-year Progress



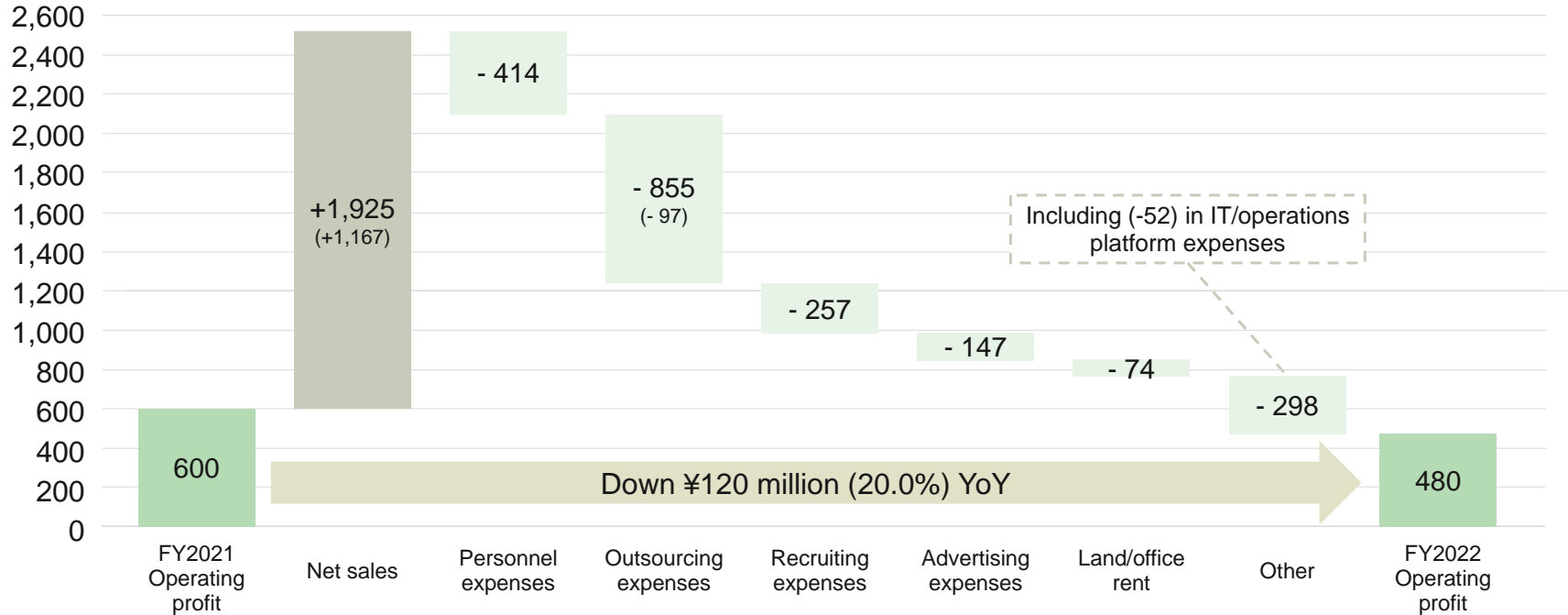
Sales progress
50.0 % (49.3 %)

Operating profit progress
73.2 %

* Figures in parenthesis are prior to change of agent/principal transaction classification (refer to p. 3 for details)

Factors Behind Change in Consolidated Operating Profit in FY2022

Unit: Millions of yen



* Figures in parenthesis are prior to change of agent/principal transaction classification (refer to p. 3 for details)

FY2022 Forecast by Segment

Professional services business

Unit: Millions of yen	FY2021 Results	FY2022 Forecast	YoY change	YoY % change
Net sales	7,125	8,112	+ 986	+ 13.9%
Operating profit	550	430	- 120	- 21.8%

Platform business

Unit: Millions of yen	FY2021 Results	FY2022 Forecast	YoY change	YoY % change
Net sales	323	1,700 (520)	+ 1,376 (+ 196)	- (+ 60.8%)
Operating profit	49	50	0	+ 0.5%

* Net sales includes internal sales

*Figures in parenthesis are prior to change of agent/principal transaction classification (refer to p. 3 for details)

FY2022 Non-Consolidated/Group Company Sales Forecast

(Millions of yen)	Non-consolidated sales	Group company sales * Excluding new sales from M&A during the year	New sales from M&A during the year	Elimination of intra-company transactions
FY2021 Results	4,910	1,944	730	- 210
	7,375		+1,819 YoY	
FY2022 Forecast	5,860 (5,467) +949 YoY (+556 YoY)	4,043 (3,285) +2,098 YoY (+1,341 YoY)	Not included	- 603 (- 210) -392 YoY (±¥0)
	9,300 (8,542)		+1,924 YoY (+1,166)	

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Overview of LTS, Inc.

Representative:	Hiroaki Kabashima, President and CEO
Foundation:	March 2002
Capital:	¥575,150,600 (As of June 30, 2022)
Address:	KDX Shinjuku 286 Building 4F, 2-8-6 Shinjuku Shinjuku-ku, Tokyo, 160-0022, Japan
Number of employees:	361 non-consolidated* / 504 consolidated (As of June 30, 2022) <small>* Includes borrowed/loaned employees</small>
Services:	Professional services business Platform business
Subsidiaries: <small>(As of June 30, 2022)</small>	Assign Navi, Inc. LTS ASIA CO., LIMITED (Hong Kong) WAKUTO Co., Ltd. IoTol Japan Inc. SOFTEC Co., Ltd.
Group company: <small>(As of June 30, 2022)</small>	FPT CONSULTING JAPAN CO., LTD
Memberships: <small>(As of June 30, 2022)</small>	Japan Users Association of Information Systems Japan Institute of Information Technology Project Management Institute Japan Chapter The Open Group Shizuoka Information Industry Association Hamamatsu Software / Contents Industry Association

Directors

President and CEO

Representative Director of Assign Navi, Inc.

Hiroaki Kabashima

Graduated Keio University

Director

Yuichi Kanagawa

Graduated Waseda University

Director and COO

Ryosuke Ueno

Graduated Tsukuba University and Advanced Institute of Industrial Technology

- 1998 Joined ING Life Insurance Co., Ltd. (Now NN Life Insurance Company, Ltd.)
- 2000 Joined IQ3 Inc.
- 2001 Joined Learning Technology Consulting Inc.
- 2002 Founding director of the Company
- 2002 President and Representative Director of the Company
- 2019 Representative Director of Assign Navi, Inc.
- 2020 President and CEO of the Company
- 1982 Joined Yokogawa Electric Works, Inc. (Now Yokogawa Electric Corporation)
- 1996 Founding President and Representative Director of Yokogawa Multimedia Co., Ltd.
- 2001 Chairman and Representative Director of Yokogawa Q&A Corporation (Now Q&A Corporation)
- 2003 President and Representative Director of Yokogawa Q&A Corporation
- 2015 Chairman and Representative Director of Q&A Corporation
- 2016 Director (part-time) of Yokogawa Rental & Lease Corporation
President and Representative Director of Yokogawa Rental & Lease Corporation
- 2020 Chairman and Representative Director of Yokogawa Rental & Lease Corporation
Outside Director of SMN Corporation
- 2021 Board Member of Japan Volleyball Association
- 2021 Outside Director of the Company
- 2021 Director of the Company
- 2022 Director and Chairperson of the Company
- 2008 Joined the Company
- 2017 Head of Business Consulting Division II of the Company
- 2018 Executive Officer and Head of Business Consulting Division II of the Company
- 2019 Director, Executive Officer and Head of Business Consulting Division II of the Company
- 2021 Director and COO of the Company

Executive Vice President

Director of IoTol Japan Inc.
Corporate Auditor of WAKUTO Co., Ltd.

Sungil Lee

Graduated The University of Tokyo

Director and CSO

Director of IoTol Japan Inc.

Yu Kamemoto

Graduated Keio University

Director

President and Representative Director of SOFTEC Co., Ltd.

Atsushi Tsukahara

Graduated Tsukuba University

- 1998 Joined Andersen Consulting Ltd. (Now Accenture Japan Ltd.)
- 2000 Joined IQ3 Inc.
- 2001 Joined Learning Technology Consulting Inc.
- 2002 Founding director of the Company
- 2005 Executive Vice President of the Company
- 2021 Director of IoTol Japan Inc.
Corporate Auditor of WAKUTO Co., Ltd.
- 2009 Joined Finchjapan Co., Ltd.
- 2011 Joined the Company
- 2017 Head of Business Development & Insights of the Company
- 2018 Executive Officer and Head of Business Development & Insights of the Company
- 2019 Director, Executive Officer and Head of Strategy & Insights of the Company
- 2020 Director of IoTol Japan Inc.
- 2021 Director and CSO of the Company
- 1999 Joined Andersen Consulting Ltd. (Now Accenture Japan Ltd.)
- 2000 Joined IQ3 Inc.
- 2001 Joined Learning Technology Consulting Inc.
- 2002 Founding director of the Company
- 2005 Resigned as director, joined the Company
- 2014 Head of EA-IT Business Unit of the Company
- 2015 Executive Officer and Assistant to Business Consulting Division of the Company
- 2018 Executive Officer and Head of ICT Engineering Department of the Company
- 2020 Director, Executive Officer and Head of ICT Engineering Department of the Company
President and Representative Director of SOFTEC Co., Ltd.

Directors

**Outside Director
(Audit and Supervisory
Committee Member)**

Fumio Takemura

- 1973 Joined IBM Japan, Ltd.
- 2004 Executive Officer of IBM Japan, Ltd.
- 2007 Senior Managing Director of IBM Japan Services Company Ltd.
- 2008 President and Representative Director of JAL Information Technology Co., Ltd.
- 2011 Advisor to IBM Japan, Ltd.
- 2014 Adjunct Lecturer at Tokyo City University Faculty of Knowledge Engineering
- 2018 Statutory Auditor of the Company
- 2019 Outside Director of the Company (Audit and Supervisory Committee Member)

**Outside Director
(Audit and Supervisory
Committee Member)**

Naoki Takahashi

- 1985 Joined Nissan Motor Co., Ltd.
- 1993 Licensed as an attorney at law in New York, USA
- 1995 Joined Tokyo Office of White & Case LLP
- 2001 Joined American International Group, Inc.
- 2009 Director and Managing Executive Officer of AIG Japan Holdings Kabushiki Kaisha
- 2016 Auditor of the Company
- 2019 Outside Director of the Company (Audit and Supervisory Committee Member)
- 2020 Auditor of IoTol Japan Inc.

**Outside Director
(Audit and Supervisory
Committee Member)**

Toshio Awata

- 1972 Joined MITSUI & CO., LTD.
- 2007 Managing Executive Officer and President of Chubu Office of MITSUI & CO., LTD.
- 2015 Auditor of the Company
- 2019 Outside Director of the Company (Audit and Supervisory Committee Member)

List of Customers

Trade/Retail

ITOCHU Corporation
Inabata & Co., Ltd.
SEVEN-ELEVEN JAPAN CO., LTD.
Mitsubishi Corporation
Mitsubishi Shokuhin Co., Ltd.
Metal One Corporation

Energy

i BUSINESS PARTNERS Corp. (Idemitsu Kosan Group)
Idemitsu Kosan Co., Ltd.
SHOWA SHELL SEKIYU K. K.
Taiyo Oil Company, Limited
TOKYO GAS i NET CORP. (TOKYO GAS Group)
Tokyo Gas Co., Ltd.
Tokyo Gas Urban Development Co., Ltd. (TOKYO GAS Group)
Tokyo Gas Auto Service Co, Ltd. (TOKYO GAS Group)

Plant Engineering

Chiyoda Corporation

Manufacturing

IHI Corporation
ISHIDA TEC Co., Ltd.
Oki Electric Industry Co., Ltd.
Canon Software Inc. (Canon Group)
Canon Business Support Inc. (Canon Group)
KOKUYO Co., Ltd.
GE Healthcare Japan Corporation
Siemens Japan KK
NIPPON STEEL & SUMITOMO METAL CORPORATION (Now:
NIPPON STEEL CORPORATION)
TATSUNO Corporation
DIC Corporation
NEC Corporation
BANDAI CO., LTD.
Hitachi Solutions, Ltd. (Hitachi Group)
FUSO Corporation
Yamaha Motor Co., Ltd.

Transportation

Osaka Metro Co., Ltd. (Osaka Metro)
JALPAK Co., Ltd. (JAL Group)
Japan Airlines Co., Ltd. (JAL)
West Japan Railway Company (JR WEST)
East Japan Railway Company (JR EAST)

Automotive

SHIZUOKA TOYOPET CO., LTD.
Nissan Motor Co., Ltd.
Nissan Buhin Chuo Sales Co., Ltd.
Yazaki Corporation

Food/Restaurant/Agriculture/Medical/Pharmaceutical

Kirin Holdings Company, Limited
KIRIN BUSINESS SYSTEM COMPANY, LIMITED (KIRIN Group)
TAKANAWAKAI (Dental Cruise)
The Nisshin Oillio Group, Ltd.
Japan Tobacco Inc.
NIHON CHOUZAI Co., Ltd.
JAPAN NUTRITION Co., Ltd. (ITOCHU Group)
NH Foods Ltd.
ROYAL HOLDINGS Co., Ltd.

Service

NTT Communications Corporation
The Board Director Training Institute of Japan
KOSAIDO Co., Ltd.
Jiji Press Ltd.
Sony Network Communications Inc.
Technology Networks Inc. (J: COM Group)
TV Asahi Corporation
JAPAN POST HOLDINGS Co., Ltd.
JAPAN POST Co., Ltd.
famima.com Co., Ltd.
Benesse Corporation
MonotaRO Co., Ltd.
Yuko Montoro Co., Ltd.
Recruit Jobs Co., Ltd.
Relia, Inc.

Financial/Securities/Insurance

Aioi Nissay Dowa Insurance Co., Ltd.
ORIX Corporation
ORIX Business Center Okinawa Corporation
SUMITOMO LIFE INSURANCE COMPANY
Nisshin Fire & Marine Insurance Co., Ltd.
Mitsui Life Insurance Company Limited

Government

Ichikawa City
Ministry of Economy, Trade and Industry
Shizuoka Prefecture
Shizuoka City Hall
Ministry of Internal Affairs and Communications
Hiroshima Prefecture

Consulting/IT

ABeam Consulting Ltd.
ITOCHU Techno-Solutions Corporation (ITOCHU Group)
SAP Japan Co., Ltd.
EDISON CO., LTD.
NEC Networks & System Integration Corp.
CRESCO LTD.
SATORI Inc.
JFE Systems, Inc.
SIGMAXYZ Inc
Suzuyo System Technology Co., Ltd.
IBM Japan, Ltd.
IBM Japan Services Company Ltd. (IBM Japan Group)
Oracle Corporation Japan
Tata Consultancy Services Japan Limited
Hewlett-Packard Japan, Ltd.
Microsoft Japan Co., Ltd.
PricewaterhouseCoopers LLP
MARUBENI INFORMATION SYSTEMS CO., LTD.
(MARUBENI Group)

* Company names published with permission (hiragana order by industry; some not listed).

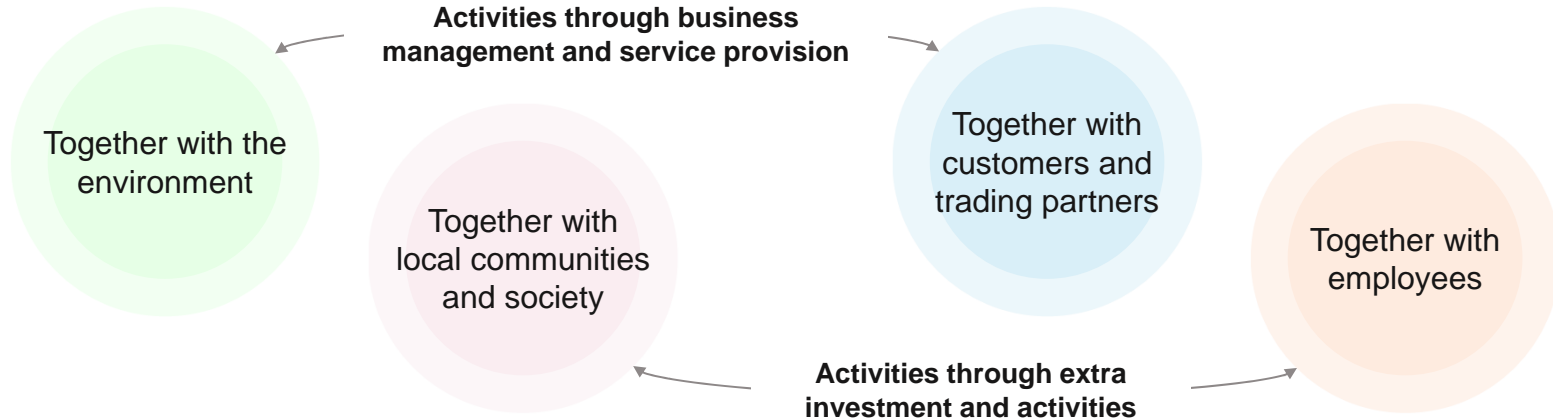
ESG investments/SDG initiatives

We believe that it is necessary to fulfill our social responsibility by building better relationships with customers, employees, shareholders, local communities, and the global environment.

As a member of society, we will contribute to solutions to social problems to achieve a sustainable society together with everyone and engage in activities to remain an excellent company that creates new value.

- Contribution to solutions to social problems

- Continued existence as an excellent company that creates new value



Introduction of activities for contributing to solutions to social problems



Visiting lectures at universities



Connections to local communities



and more...

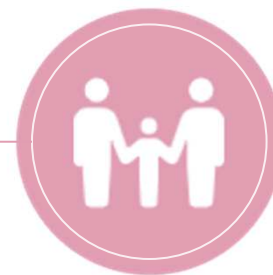
Pro bono



Support solutions to problems provided by NPOs and NGOs leveraging our business skills



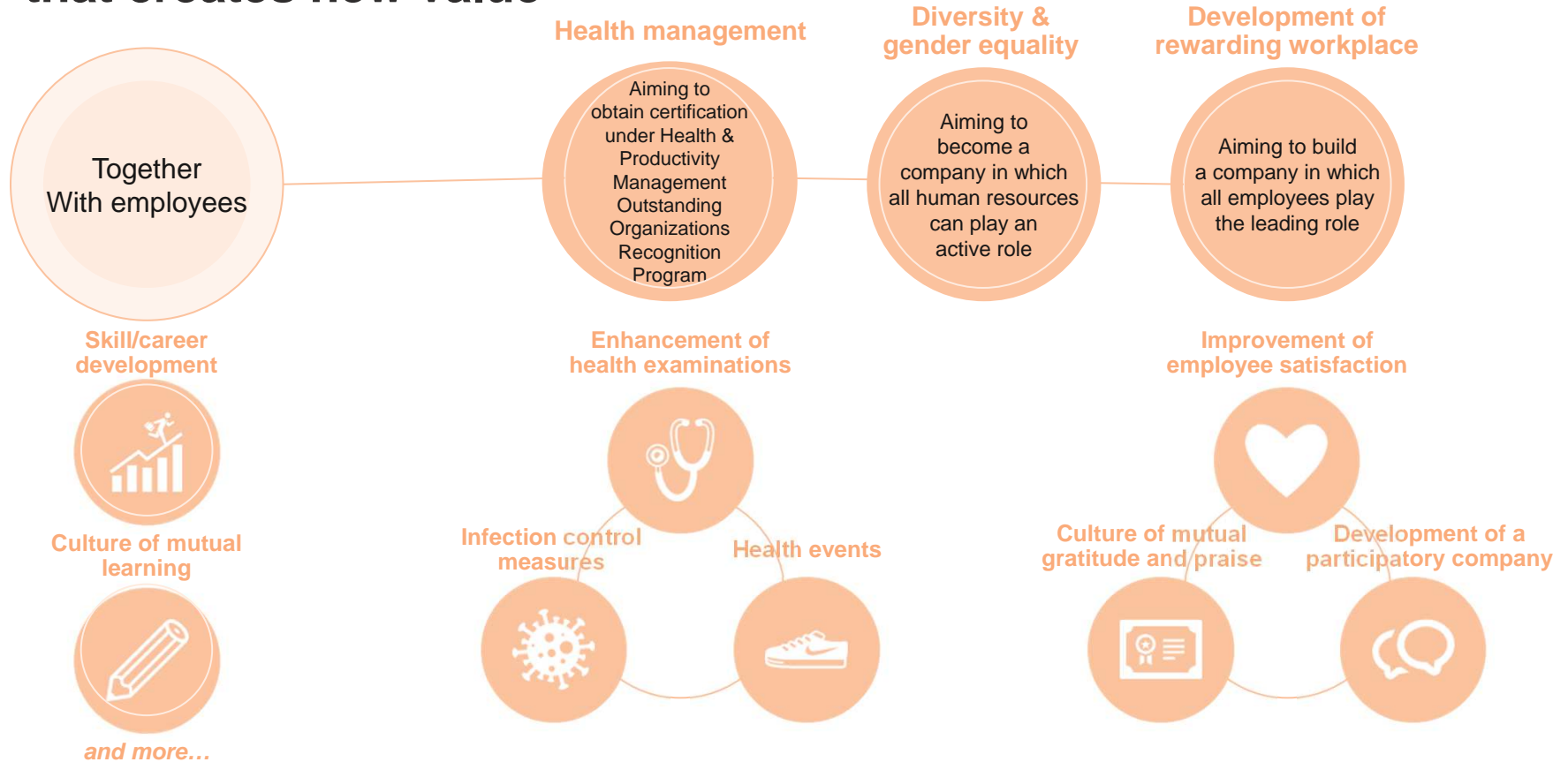
Family Day



Expand possibilities for children by thinking about and working on social problems together with them

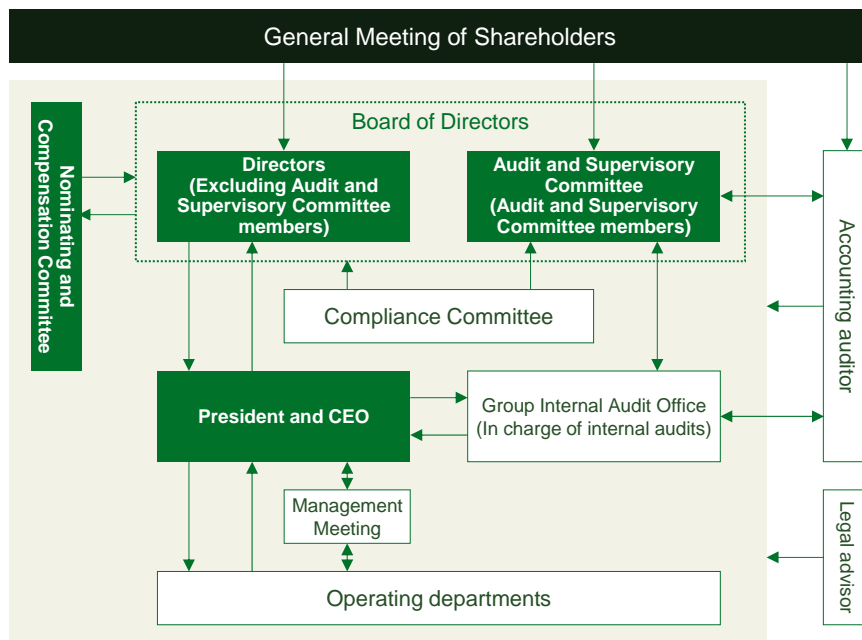


Introduction of activities for remaining an excellent company that creates new value



Corporate governance structure

We consider strengthening of corporate governance to be an important management issue and are working on the necessary measures in order to expand our corporate value, ensure our continued existence, and contribute to society



Efforts to date

- ✓ Transition to company with audit and supervisory committee
- ✓ Increased number of outside directors
- ✓ Establishment of Nominating and Compensation Committee
- ✓ Disclosure of summaries of financial results and briefing material in English

Themes being considered for future efforts

- ✓ Analysis and evaluation of effectiveness of Board of Directors utilizing third-party agency
- ✓ Ensuring of diversity of Board of Directors
- ✓ Establishment and implementation of succession plan for chief executive officer

Disclaimer and Note

● Disclaimer

- **LTS, Inc. (“the Company”) provides financial information, management indicators, and other information only as a reference. No representations or warranties are made, express or implied, with regard to the content herein.**
- **The Company prepared this material using current generally known information about social and economic conditions and certain assumptions that we deemed to be reasonable. The information found in this material is subject to change without notice due to changes in business conditions or for other reasons.**

● Note on Forward-Looking Statements

- **The material and information provided with this announcement contain forward-looking statements. These forward-looking statements are based on current expectations, forecasts, and assumptions that are subject to risks and include uncertainties, which may cause actual results to differ substantially from these statements.**
- **These risks and uncertainties include general industry and market conditions as well as general Japanese and international economic conditions such as changes in interest rates and exchange rates.**
- **The Company has no obligation to update or correct the forward-looking statements contained in this material, regardless of any new information, future events, etc.**



End of File